

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY ANKARA

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E. O. 11652 N/ A

TAGS: ETRN, TU, US

SUBJECT: TURKISH SHIPPING DISCRIMINATION

REF: STATE 91675; ANKARA 4187 OF 20 JUN 1969 & PREVIOUS

1. SUMMARY: US FLAG CARRIERS IN US- TURKISH TRADE HAVE
COMPLAINED TO USG THEIR TRANSPORT OPERATIONS ARE ADVERSE-
LY AFFECTED BY 1969 GOT DISCRIMINATORY DECREES AND OTHER
PRACTICES REQUIRING AND/ OR PROMOTING CARRIAGE OF TURKISH
EXPORTS AND IMPORTS SOLELY ON FLAG VESSELS OF TURKEY.
DEPARTMENT CONCERNED AS TURKISH ACTIONS APPEAR TO VIOLATE
1929 TREATY OF COMMERCE AND NAVIGATION AND INTERNATIONALLY
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ACCEPTED COMMERCIAL PRACTICES. EMBASSY REQUESTED TO MAKE
INFORMAL DEMARCHE TO GOT AUTHORITIES EXPRESSING USG CON-
CERN AND NEED FOR GOT TO REMEDY SITUATION, PARTICULARLY IN
VIEW OF IMPROVEMENT IN TURKISH BALANCE OF PAYMENTS
PROBLEMS ORIGINALLY CITED BY GOT TO JUSTIFY DECREES.

2. AMERICAN EXPORT, LYKES, AND PRU- GRACE LINES INFORMED DEPARTMENT APPLICATION OF TURKISH DECREES NOS. 1383 OF APRIL 25, 1969 AND 13190 OF MAY 5, 1969 REQUIRING ALL "PUBLIC SECTOR" SHIPPING CONTRACTS TO BE MADE WITH TURKISH SHIPPING LINES CAUSING THEIR VESSELS TO BE DENIED

CARGOES WHICH THEY WOULD NORMALLY HAVE ACCESS TO. SITUATION IS AGGRAVATED FURTHER BY CENTRAL BANK POLICY PRESSURING TURKISH EXPORTERS AND IMPORTERS TO SHIP COMMERCIAL CARGOES CF/ CIF AND FOB RESPECTIVELY, I. E., ON TURKISH FLAG VESSELS WHEN AVAILABLE. SHIPPING CF/ CIF GIVES EXPORTER CONTROL OF CHOICE OF VESSEL ENABLING MAXIMIZATION OF HARD CURRENCY EARNINGS ON SHIPMENTS. IMPORT SHIPMENTS ON FOB BASIS HAS ADDED ADVANTAGE FOR GOT IN THAT IT CAN CONTROL FREIGHT PAYMENTS WHICH WOULD BE MADE LARGELY TO TURKISH VESSELS THEREBY MINIMIZING HARD CURRENCY OUTFLOWS. DEPARTMENT UNDERSTANDS THESE DISCRIMINATORY MARITIME POLICIES AND PRACTICES WERE ADOPTED BY GOT FOR BALANCE OF PAYMENTS REASONS AND TO CONSERVE HARD CURRENCIES. (THE 1969 CABLE EXCHANGES BETWEEN EMBASSY AND DEPARTMENT AND FILE ON THIS PROBLEM DO NOT INDICATE REASON WHY MATTER WAS LEFT IN ABEYANCE AND NOT PURSUED FURTHER WITH GOT AT THAT TIME.) HOWEVER, IN LIGHT OF CURRENT TURKISH ECONOMIC SITUATION, THE MEASURES WOULD APPEAR NO LONGER NECESSARY.

3. HERETOFORE, GOT DECREES AND CENTRAL BANK EFFORTS DID NOT POSE MAJOR PROBLEM FOR US CARRIERS AS TURKISH MERCHANT MARINE DID NOT HAVE A SIGNIFICANT CARRIAGE CAPABILITY AND US LINES CARRIED AN ADEQUATE PORTION OF USG-CONTROLLED CONSIGNMENTS (CARGOES WHOSE VOLUME HAS GREATLY DECREASED IN RECENT TIMES) AND COMMERCIAL SHIPMENTS AS WELL. HOWEVER, OPERATIONAL IMPROVEMENTS AND AN INCREASE IN THE NUMBER OF VESSELS BY GOT- OWNED DENIZLI BANKASI CARGO LINE OVER LAST FEW YEARS, COUPLED WITH CONTINUING LIMITED OFFICIAL USE
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TURKISH DISCRIMINATORY MARITIME POLICIES, HAS MARKEDLY CHANGED THE PICTURE. PRESENTLY US CARRIERS ENJOY 50 CARRIAGE OF EXIMBANK GENERATED CARGOES UNDER PR-17 AS DO TURKISH FLAG VESSELS. HOWEVER, US CARRIERS ARE COMPLETELY DENIED ACCESS TO TURKISH- DESIGNATED GOVERNMENT CARGOES, INCLUDING WORLD BANK SHIPMENTS WHICH ARE BECOMING INCREASINGLY IMPORTANT, AND ARE EXCLUDED MORE AND MORE FROM THE GROWING COMMERCIAL TRADE MOVING BETWEEN OUR TWO COUNTRIES. US LINES ESTIMATE TURKISH VESSELS NOW CARRY ANYWHERE FROM 40 TO 60 OF THE TOTAL TRADE, WITH THE REMAINDER DIVIDED BETWEEN US LINES AND THIRD FLAG CARRIERS. CONSIDERING THE NUMBER OF TURKISH VESSELS IN THE TRADE AND FREQUENCY OF SERVICE, THIS PERCENTAGE WOULD NOT BE

JUSTIFIED UNDER NORMAL COMPETITIVE CONDITIONS WHERE VESSELS OF BOTH OUR COUNTRIES WOULD HAVE ACCESS TO GOVERNMENT AS WELL AS COMMERCIAL CARGOES. ARTICLE 2 OF DECREE 13190 ALLOWS TURKISH SHIPPING LINES TO SUBCONTRACT CARRIAGE OF TURKISH GOVERNMENT- DESIGNATED CARGOES TO FOREIGN FLAG STEAMSHIP LINES WHEN NECESSARY.

THIS PROVISION IS CONSIDERED MEANINGLESS, HOWEVER, SINCE US CARRIERS CANNOT MEET LOW FREIGHT RATES QUOTED BY TURKISH CARRIERS. THE D. B. CARGO LINE, TOGETHER WITH TWO OTHER LESSER TURKISH SHIPPING LINES, BELONG TO THE REGIONAL COOPERATION FOR DEVELOPMENT SHIPPING (RCD) CONFERENCE; THE FREIGHT RATES FILED BY THE RCD CONFERENCE WITH THE FEDERAL MARITIME COMMISSION (FMC) ARE ON THE AVERAGE 10 PERCENT BELOW THE DUAL RATE CONTRACT QUOTATIONS (SPECIAL LOWER RATES AUTHORIZED UNDER MANY CONFERENCE AGREEMENTS GIVEN TO A SHIPPER WHO AGREES TO UTILIZE ONLY THE SERVICES OFFERED BY CONFERENCE MEMBER SHIPPING LINES) POSSIBLE FROM THE GULF OR ATLANTIC TO MEDITERRANEAN CONFERENCES OF WHICH THE US CARRIERS ARE MEMBERS. IN THE CASE OF TURKISH GOVERNMENT- CONTROLLED CARGOES, HOWEVER, THIS RATE DIFFERENTIAL COULD BE EFFECTIVELY BRIDGED BY SPECIAL PROJECT RATE CONTRACTS IF US STEAMSHIP COMPANIES HAD ACCESS TO SUCH CARGOES AND WERE REQUESTED TO PROVIDE QUOTATIONS. ON THE OTHER HAND, THE RATE DIFFERENTIAL ON COMMERCIAL CARGOES FAVORS TURKISH CARRIERS. MOREOVER, CENTRAL BANK ACTIONS LIMIT LIMITED OFFICIAL USE
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US CARRIERS EFFORTS TO COMPETE FOR THESE CARGOES WHERE OTHER SPECIAL CONSIDERATIONS (E. G. CONTAINER SERVICE, MORE FREQUENT SAILINGS, TIMELINESS OF SERVICE, ETC.) MIGHT BE DETERMINING FACTORS.

4. USG IMMEDIATE PREOCCUPATION IS THE SHUT OUT OF US CARRIERS IN THE CARRIAGE OF TURKISH GOVERNMENT CARGOES AND THE INTERFERENCE OF THE CENTRAL BANK IN THE SHIPPING ARRANGEMENTS OF COMMERCIAL CARGOES. THESE DECREES AND PRACTICES APPEAR TO VIOLATE ARTICLE III OF 1929 US- TURKEY TREATY OF COMMERCE AND NAVIGATION WHICH REQUIRES NATIONAL TREATMENT FOR BOTH COUNTRIES' VESSELS BY THE TWO RESPECTIVE GOVERNMENTS. WITH RESPECT TO CARGO RESERVATION, THE US HAS FIRMLY SUPPORTED THE PRINCIPLE THAT THERE SHOULD BE EQUAL ACCESS TO GOVERNMENT- CONTROLLED CARGOES BETWEEN LINES OF THE TRADING PARTNERS AND OUR CN TREATY DEMANDS SUCH TREATMENT. ACCORDINGLY, TURKISH FLAG VESSELS ARE PERMITTED TO PARTICIPATE IN THE CARRIAGE OF CARGOES WHICH ARE SUBJECT TO USG CONTROL. FOR EXAMPLE, IN THE CASE OF EXPORTS FINANCED BY OR GUARANTEED UNDER A JOINT GOVERNMENT/ COMMERCIAL LOAN BY THE EXIMBANK FOR WHICH SHIPMENT IS ORDINARILY RESERVED

100 PERCENT FOR US FLAG VESSELS PURSUANT TO PUBLIC RESOLUTION NO. 17, THE MARITIME ADMINISTRATION (MARAD) HAS GRANTED WAIVERS TO TURKEY WHEREBY UP TO 50 PERCENT OF THE CARGO GENERATED CAN BE CARRIED ON TURKISH FLAG VESSELS. TURKISH VESSELS ALSO HAVE TRANSPORTED OTHER USG- CONTROLLED CARGOES, E. G. DEFENSE, AID, & AGRICULTURE SHIPMENTS.

5. THE ACTION OF THE CENTRAL BANK IS CONSIDERED CONTRARY TO INTERNATIONAL SHIPPING PRACTICES WHEREBY COMMERCIAL INTERESTS HAVE THE RIGHT TO MAKE REASONABLE SHIPPING ARRANGEMENTS APPROPRIATE TO THEIR INDIVIDUAL NEEDS AND IS INJURIOUS TO LEGITIMATE US COMMERCIAL INTERESTS. IT WOULD ALSO APPEAR TO BE CONTRARY TO THE SPIRIT OF THE TREATY PROVISIONS CITED ABOVE. AS BACKGROUND THE EMBASSY SHOULD BE AWARE THAT THE TERMS OF SHIPMENT WAS ONE OF THE MOST CONTROVERSIAL SHIPPING ISSUES DISCUSSED AT UNCTAD III, WITH THE LDC' S GENERALLY FEELING THAT THEY ARE DISADVANTAGED BECAUSE OF PREVALENT COMMERCIAL PRACTICES. LIMITED OFFICIAL USE
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TIME IN WHICH LDC' S OFTEN OR USUALLY BUY CIF AND SELL FOB, THEREBY LEAVING CHOICE OF CARRIER TO DEVELOPED COUNTRY. DEVELOPED COUNTRIES ARGUED THAT TERMS OF SHIPMENT WERE RESULT OF COMMERCIAL DECISIONS AND NOT APPROPRIATE SUBJECT FOR GOVERNMENT INTERVENTION. LANGUAGE OF UNANIMOUSLY- AGREED UNCTAD RESOLUTION COVERING THIS SUBJECTELY STATED: " SINCE TO THE EXTENT THAT TRADERS IN DEVELOPED COUNTRIES ARE GENERALLY IN A POSITION TO NOMINATE THE CARRIER, THIS SITUATION SHOULD NOT PREVENT DEVELOPING COUNTRIES FROM PARTICIPATING ON A FAIR BASIS IN THE TRADE CONCERNED." TURKISH CENTRAL BANK EFFORTS GO BEYOND THIS AND EVEN BEYOND POSITION ADVANCED BY LDC' S AT UNCTAD CALLING FOR REASONABLE DIVISION OF CARGOES BETWEEN TRADING PARTNERS.

6. DRAWING ON ABOVE, EMBASSY REQUESTED TO INFORMALLY RAISE MATTER WITH APPROPRIATE GOT AUTHORITIES AND EXPRESS SERIOUS USG CONCERN WITH DISCRIMINATORY DECREES AND CENTRAL BANK PRACTICES WHICH APPEAR TO BE INCONSISTENT WITH NATIONAL TREATMENT CALLED FOR BY ARTICLE III OF OUR CN TREATY AND TO EMPHASIZE THAT THE USG TRUSTS THAT THE COMPETENT TURKISH AUTHORITIES WILL TAKE APPROPRIATE ACTION TO REMOVE THE INCONSISTENCY BETWEEN ITS TREATY OBLIGATIONS AND ITS DISCRIMINATORY DECREES AND PRACTICES. EMBASSY SHOULD ALSO STRESS THAT THE CARRIAGE OF US- TURKISH TRADE IS OF EQUAL CONCERN TO THE US AS TO TURKEY AND GOT EFFORTS TO CONTROL IT BY CARGO PREFERENCE AND CENTRAL BANK PRACTICES DENY U. S. EQUAL RIGHTS. USG CAN NO MORE ACCEPT UNILATERAL GOT EFFRTS TO CONTROL COMMERCIAL TRAFFIC BETWEEN OUR TWO COUNTRIES THAN

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